

**IOSCO TRANSIT CORPORATION
AUDIT REPORT
YEAR ENDED SEPTEMBER 30, 2004**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Iosco Transit Corporation	County Iosco
Audit Date 9/30/04	Opinion Date 11/2/04	Date Accountant Report Submitted to State: 1/28/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

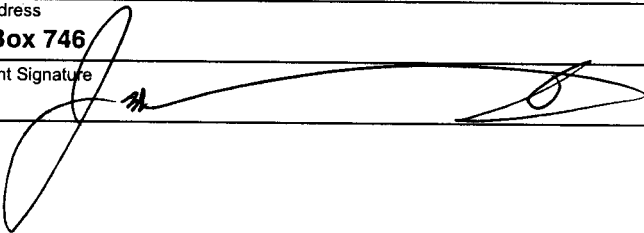
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson & Decker, P.C.			
Street Address P.O. Box 746		City Roscommon	State MI
Accountant Signature 		ZIP 48653	Date 1/28/05

IOSCO TRANSIT CORPORATION

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Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653
(989) 275-8831

INDEPENDENT AUDITORS' REPORT

November 2, 2004

Board of Directors
Iosco Transit Corporation
1036 N. Aulerich Road
East Tawas, MI 48730

We have audited the financial statements of the business-type activity and major fund, which collectively comprise the basic financial statements of the Iosco Transit Corporation as of and for the year ended September 30, 2004, as listed in the table of contents. These statements are the responsibility of the Transit's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund of the Iosco Transit Corporation, as of September 30, 2004, and the changes in financial position and cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2004, on our consideration of the Iosco Transit Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The management's discussion and analysis on page 3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Page 2
Board of Directors
Iosco Transit Corporation
November 2, 2004

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Iosco Transit Corporation basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole.



ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

IOSCO TRANSIT CORPORATION
MANAGEMENTS'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004

Iosco Transit Corporation (ITC) saw a loss of revenue through loss of the "special trips" of about \$5,828.00, loss of tenants amounting to \$6,000.00. ITC also noticed an expense increase in rent payments which are now paid to the County of Iosco amounting to \$2,400.00, additional fuel expenses of \$2,242.00, tire expenses of an additional \$2,326.00, resulting in an approximate total increase in expenses of \$18,796.00.

ITC fare boxes increased by \$10,683.00 due to an increase in fare rates to passengers. Increased package delivery and sale of bus sign advertisement also increased revenues. The route hours were shortened resulting in payroll cuts of approximately \$9,630.00. Advertisement expense was limited to newspapers and other necessary advertisement resulting in a \$786.00 savings. ITC also changed phone companies saving \$1,044.00 and developed a new electricity policy saving \$825.00. The resulting revenue increases and savings totaled approximately \$22,968.00.

ITC continues to make payments on the balance of \$36,942.00 to Huron Community Bank, hoping to clear this loan within the next couple of years.

ITC expects to see more cut backs in the future because of the major cut backs MDOT is experiencing which will probably result in more fare increases and less time the buses will be available to serve the area.

Darlene Eno
General Manager

IOSCO TRANSIT CORPORATION
ENTERPRISE FUND
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004

ASSETS

Current Assets:

Cash and investments	\$ 44,046
Accounts receivable	2,632
Grants receivable	<u>7,674</u>

Total Current Assets 54,352

Property and equipment, less accumulated depreciation 199,540

Total Assets 253,892

LIABILITIES

Current Liabilities:

Accounts payable	5,596
Accrued payroll	10,725
Due to County	11,148
Line of credit	<u>37,274</u>

Total Current Liabilities 64,743

NET ASSETS

Contributed equity	126,474
Undesignated	<u>62,675</u>

Total Net Assets \$ 189,149

See Notes to Financial Statements

IOSCO TRANSIT CORPORATION
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2004

Operating Revenues	
Charges for services	
Fare box and special fares	\$ 47,170
Vehicle maintenance	<u>428</u>
Total operating revenues	<u>47,598</u>
Operating Expenses	
Salaries and wages	179,251
Fringe benefits	31,731
Materials and supplies	41,347
Services	5,676
Utilities	8,784
Casualty and liability insurance	13,904
Miscellaneous	13,099
Depreciation	<u>105,898</u>
Total operating expenses	<u>339,690</u>
Operating income (loss)	<u>(352,092)</u>
Non-operating Revenues (expenses)	
Property taxes	85,349
Federal	30,815
State	124,497
State and Federal capital grants	8,518
Interest/investment income	93
Loss on sale of fixed assets	<u>(19,409)</u>
Total non-operating revenues	<u>229,863</u>
Change in Net Assets	(122,229)
Net Assets - October 1, 2003	<u>311,378</u>
Net Assets - September 30, 2004	<u>\$ 189,149</u>

See Notes to Financial Statements

IOSCO TRANSIT CORPORATION
ENTERPRISE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ (122,229)
Adjustments to reconcile net income to net cash flows from operating activities:	
Depreciation	105,898
Loss on Disposal of Assets	19,409

Changes in assets and liabilities:

Decrease (increase) in accounts receivable	(2,028)
Decrease (increase) in due from governmental units	12,955
Increase (decrease) in accounts payable	172
Increase (decrease) in accrued payroll	5,356
Increase (decrease) in line of credit	1,715
Increase (decrease) in due to County	<u>11,148</u>

Net Cash Provided By Operating Activities	32,396
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CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	<u>(8,518)</u>
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Net Increase (Decrease) in Cash and Cash Equivalents	23,878
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Cash and Cash Equivalents at October 1, 2003	<u>20,168</u>
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Cash and Cash Equivalents at September 30, 2004	<u>\$ 44,046</u>
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See Notes to Financial Statements

IOSCO TRANSIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE A - DESCRIPTION OF THE REPORTING ENTITY

The Iosco Transit Corporation is a nonprofit corporation under contract with the County of Iosco to provide public transportation to the residents of Iosco County. Its function is to carry out the terms of the public transportation service contract between the Michigan Department of Transportation and the Board of County Commissioners of the County of Iosco.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Iosco Transit Corporation conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

Basis of Accounting - The accrual basis of accounting is followed. The accrual basis provides that revenues are recorded when earned and expenditures are recorded when the related liability is incurred.

Financial Reporting Entity - The Public Transit is required by Public Act 51 of the State of Michigan to have a separate audit performed of its operations. This financial report has been prepared to meet this state requirement.

In accordance with accounting principles generally accepted in the United States of America and Government Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Iosco Transit Corporation. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Fixed Assets and Depreciation - Fixed assets are stated at cost or fair market value at date of gift. Depreciable fixed assets are depreciated over the estimated useful life of the assets on the straight-line method.

Inventory - Inventories are recorded as expenditures in the year of purchase. The amounts on hand at September 30, 2004 was determined to be immaterial and have therefore not been recorded on the books.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

IOSCO TRANSIT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2004

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Capital - Prior to October 1, 2001, proceeds received from the State and the U.S. Department of Transportation, in accordance with contracts to purchase fixed assets were credited to Contributed Capital and were not recorded as revenue. Depreciation of fixed assets purchased with these funds is charged against Contributed Capital.

Property Taxes - Property taxes are levied as of December 1 of each year and are due by the last day of the following February. The taxes are collected by the local units of government within the County and are periodically remitted to the Transit through the County during the collection period. The taxes are recognized as revenue in the year in which payment is due.

NOTE C - VACATION AND SICK LEAVE

Vacation leave is earned in varying amounts depending on the number of years of service of an employee and is made available to the employees monthly. Vacation time does not accumulate from year to year except by mutual agreement between the Transit and the employees.

Sick leave is granted without pay upon application from the employee for illness or injury subject to the employer's right to request medical proof of disability.

The current portion of compensated absences benefits are recorded as expenditures.

NOTE D - CASH AND INVESTMENTS

The balance sheet at September 30, 2004 contained \$44,046 which was on deposit within various bank accounts. At year-end, the bank balance of these deposits was \$44,303. These deposits were 100% insured according to FDIC regulations.

Deposits are categorized into these three categories of credit risk.

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
3. Uncollateralized

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 44,046	\$ 44,303

Michigan law prohibits collateralization of public funds.

IOSCO TRANSIT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2004

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>Balance 10/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/04</u>
Building and Improvements	\$ 442,863	\$ 5,625	\$ -0-	\$ 448,488
Vehicles	615,075	-0-	35,289	579,786
Shop Equipment	59,511	-0-	-0-	59,511
Office Equipment	<u>57,494</u>	<u>2,893</u>	<u>-0-</u>	<u>60,387</u>
Totals	<u>\$1,174,943</u>	<u>\$ 8,518</u>	<u>\$ 35,289</u>	\$1,148,172
Accumulated Depreciation	<u>\$ 858,614</u>	<u>\$ 105,898</u>	<u>\$ 15,880</u>	<u>948,632</u>
Net Property and Equipment				<u>\$ 199,540</u>

Depreciation expense for fiscal year ending September 30, 2004 was \$105,898.

NOTE F - STATE GRANTS

The Transit has contracted with the State of Michigan for grant funds for operations and equipment. All of the monies that the Public Transit is now eligible to receive have not been disbursed to them as the projects have not been completed. As of September 30, 2004, \$109,530 is still available to the Transit under those grants.

NOTE G - RISK MANAGEMENT

The Transit is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2004 the Transit carried commercial insurance to cover all risk of losses. The Worker's Compensation insurance is the only retrospectively rated policy; any premiums accrued are based on the ultimate cost of the experience to date of the Transit. The Transit has had no settled claims resulting from these risks that exceeded their commercial coverage in the past two fiscal years.

IOSCO TRANSIT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2004

NOTE H- CONTRIBUTED CAPITAL

The Contributed Capital equity account represents funds provided by the federal Government and State of Michigan, to the Authority, to purchase buildings, buses and equipment. Depreciation on buildings, buses and equipment purchased with State and Federal Funds is charged against this account. Depreciation of fixed assets purchased with Contributed Capital, for the same period was \$104,651.

Effective for fiscal years beginning after July 2000, and for all subsequent years, all State/Federal Capital Grants are recorded as revenue on the Statement of Revenues, Expenses and Changes in Retained Earnings. For the year ended September 30, 2004 \$8,518 of State/Federal Capital Grants were recorded as revenue.

Contributed Capital balances as of September 30, 2001 have not been restated, and will continue to be amortized over the lives of the related fixed assets, until entirely depleted.

NOTE I - PROPERTY TAXES

During 2001 the voters of Iosco County approved a countywide property tax levy of up to .1 mill to provide for the continued operation of the Transit Corporation. Net property taxes collected for the year ended September 30, 2004 were \$85,349.

SUPPLEMENTAL INFORMATION

IOSCO TRANSIT CORPORATION
OPERATING REVENUES
YEAR ENDED SEPTEMBER 30, 2004

SCHEDULE 1

Operating Revenues

Demand-response (farebox)

\$ 47,170

Maintenance

428

Total Operating Revenues

\$ 47,598

IOSCO TRANSIT CORPORATION
OPERATING EXPENSES
YEAR ENDED SEPTEMBER 30, 2004

	<u>Operations</u>	<u>Maintenance</u>
Labor		
Operators' salaries and wages	\$ 87,588	\$ 27,604
Dispatchers' salaries and wages	28,490	-0-
Fringe Benefits	19,314	2,817
Services	-0-	-0-
Materials and Supplies Consumed		
Fuel and lubricants	21,571	-0-
Tires and tubes	-0-	4,810
Other materials and supplies	-0-	12,211
Utilities	-0-	-0-
Casualty and Liability Costs	11,148	-0-
Miscellaneous Expenses		
Travel and meetings	-0-	-0-
Advertising	-0-	-0-
Equipment Lease	1,242	-0-
Other miscellaneous expenses	126	-0-
Depreciation & Amortization	<u>100,069</u>	<u>879</u>
Total Expenses	<u>\$ 269,548</u>	<u>\$ 48,321</u>

SCHEDULE 2

<u>General Administration</u>	<u>Total System</u>
\$ 35,569	\$ 150,761
-0-	28,490
9,600	31,731
5,676	5,676
-0-	21,571
-0-	4,810
2,755	14,966
8,784	8,784
2,756	13,904
1,498	1,498
2,583	2,583
-0-	1,242
7,650	7,776
<u>4,950</u>	<u>105,898</u>
<u>\$ 81,821</u>	<u>\$ 399,690</u>

SCHEDULE 3

IOSCO TRANSIT CORPORATION
NONOPERATING REVENUES
YEAR ENDED SEPTEMBER 30, 2004

Local Operating Grants

Millage	<u>\$ 85,349</u>
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Subtotal Local Operating Grants	<u>85,349</u>
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State of Michigan Operating Grants

Formula Operating Assistance (Act 51)	124,354
R.T.A.P.	<u>143</u>

Subtotal State of Michigan Operating Grants	<u>124,497</u>
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Federal Operating Grants

U.S. DOT Operating Grant - Section 5311	<u>30,815</u>
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Subtotal Federal Operating Grants	<u>30,815</u>
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State Capital Grants	<u>8,518</u>
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Interest Income	<u>93</u>
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Loss on Sale of Assets	<u>(19,409)</u>
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Total Nonoperating Revenues	<u>\$ 229,863</u>
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SCHEDULE 4

IOSCO TRANSIT CORPORATION
SCHEDULE OF CONTRIBUTED EQUITY
YEAR ENDED SEPTEMBER 30, 2004

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Balance, October 1, 2003	\$ 169,602	\$ 30,021	\$ 206,623
Deduct			
Depreciation on assets purchased from contributed equity	<u>(64,414)</u>	<u>(15,735)</u>	<u>(80,149)</u>
Balance, September 30, 2004	<u>\$ 105,188</u>	<u>\$ 14,286</u>	<u>\$ 126,474</u>

IOSCO TRANSIT CORPORATION
CAPITAL CONTRACTS
YEAR ENDED SEPTEMBER 30, 2004

Grantor: Michigan Department of Transportation

	<u>Grant Award Carry Over</u>	<u>Earned</u>	<u>Amount Remaining</u>
#2000-0500	\$ 3,136	\$ -0-	\$ 3,136
#2001-0266	116	-0-	116
#2001-0916	985	-0-	985
#2002-0052-Z1	19,711	-0-	19,711
#2002-0052-Z3	1,205	412	793
#2002-0052-Z7	13,000	8,106	4,894
#2004-0453	<u>79,895</u>	<u>-0-</u>	<u>79,895</u>
	<u>\$ 118,048</u>	<u>\$ 8,518</u>	<u>\$ 109,530</u>

IOSCO TRANSIT CORPORATION
EXPENSES BY CONTRACT AND GENERAL OPERATIONS
YEAR ENDED SEPTEMBER 30, 2004

	Section 5311	Total
Labor	\$ 179,251	\$ 179,251
Fringe benefits	31,731	31,731
Services	5,676	5,676
Materials and supplies	41,347	41,347
Utilities	8,784	8,784
Casualty and liability	13,904	13,904
Miscellaneous	13,099	13,099
Depreciation and Amortization	<u>105,898</u>	<u>105,898</u>
Total	399,690	399,690
Less		
Ineligible Expenses and Project Revenues	<u>108,522</u>	<u>108,522</u>
Total Eligible Expenses	<u>\$ 291,168</u>	<u>\$ 291,168</u>

IOSCO TRANSIT CORPORATION
NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS
YEAR ENDED SEPTEMBER 30, 2004

	2002-0052/Z8 Federal <u>Section 5311</u>	State Operating <u>Assistance</u>
Expenses		
Labor	\$ 179,251	\$ 179,251
Fringe benefits	31,731	31,731
Services	5,676	5,676
Materials & supplies	41,347	41,347
Utilities	8,784	8,784
Casualty & liability	13,904	13,904
Miscellaneous	13,099	13,099
Depreciation	<u>105,898</u>	<u>105,898</u>
Total Expense	<u>399,690</u>	<u>399,690</u>
Less Ineligible Expenses		
Depreciation	104,651	104,651
R.T.A.P.	143	143
Services	428	428
Audit Fees	<u>3,300</u>	<u>-0-</u>
Total Ineligible Expense and Project Revenue	<u>108,522</u>	<u>105,222</u>
Net Eligible Expenses	<u>\$ 291,168</u>	<u>\$ 299,468</u>
Regional Transportation Reimbursement		
Maximum Section 5311 Reimbursement (10.95%) not to exceed \$30,815	<u>\$ 30,815</u>	
State Operating Assistance		<u>\$ 124,354</u>

Federal Section 5311 expenses are only those expenses incurred in providing service to non-urbanized areas. The State Operating Assistance is computed at 42.23% of the current eligible expenses for the year ended September 30, 2004.

IOSCO TRANSIT CORPORATION
DETAIL OF INELIGIBLE EXPENSES AND REVENUES
SEPTEMBER 30, 2004

Depreciation

Depreciation accrued by public operators is ineligible according to UMTA C 9050, 1A, Page V-4.

Services

The Transit Authority provides maintenance services in Iosco County. 100% of the revenue from these services was considered ineligible.

Rental Income

The Transit rents out part of its office space to other governmental agencies. The rental income has been deducted as ineligible.

Annual Audit Fees

Any Transit Agency that expends less than \$300,000 in federal funds must subtract out the cost of the annual audit as an ineligible expense under Section 5311. Therefore, \$3,300 has been treated as an ineligible for Section 5311 purposes.



Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653
(989) 275-8831

November 2, 2004

Board of Directors
Iosco Transit Corporation
1036 N. Aulerich Road
East Tawas, MI 48730

As required by the Michigan Department of Transportation, schedules of mileage, vehicle hours and number of passengers transported for the twelve months ended September 30, 2004, follows. This supplemental information was not audited by us and accordingly, we do not express an opinion on it. However, we have reviewed the compilation methods for mileage and passenger data and found them reliable.

Respectfully submitted,



ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

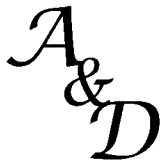
IOSCO TRANSIT CORPORATION
MILEAGE DATA, VEHICLE HOURS AND PASSENGERS (UNAUDITED)
YEAR ENDED SEPTEMBER 30, 2004

	<u>Public Transportation Mileage</u>	<u>Vehicle Hours</u>
DEMAND RESPONSE		
1st Quarter	37,788	1,914
2nd Quarter	40,017	1,870
3rd Quarter	39,916	1,919
4th Quarter	<u>38,859</u>	<u>2,029</u>
TOTAL OPERATIONS	<u>156,580</u>	<u>7,732</u>

See Auditors' Disclaimer on Preceding Page.

SCHEDULES 9 AND 10

<u>Regular Passengers</u>	<u>Senior Passengers</u>	<u>Handicapper Passengers</u>	<u>Senior Handicapper Passengers</u>
2,439	958	2,097	277
2,936	891	2,190	252
2,716	887	2,119	196
<u>3,514</u>	<u>887</u>	<u>1,852</u>	<u>259</u>
<u>11,605</u>	<u>3,623</u>	<u>8,258</u>	<u>984</u>



Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

November 2, 2004

Iosco Transit Corporation
1036 N. Aulerich Road
East Tawas, MI 48730

Dear Board:

We have audited the basic financial statements of the Iosco Transit Corporation for the year ended September 30, 2004, and have issued our report thereon dated November 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Iosco Transit Corporation's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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Board of Directors
Iosco Transit Corporation
November 2, 2004

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iosco Transit Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and Board of Directors, and is not intended to be, and should not be used by anyone other than these specified parties.



ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS